(c) whether the smugling activities have shown an increase during 1996;

(d) if so, the reasons therefor; and

(e) the steps taken to minimise the smuggling activities during 1997 ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.P. VEERENDRA KUMAR) : (a) to (e) Information is being collected and will be laid down on the Table of the House.

Report of Inter-Department Group on Securities Scam

4466. SHRI MOHAN RAWALE : Will the Minister of FINANCE be pleased to state :

(a) whether the Government has received the report of the Inter-departmental group regarding end-use of the money of the securities scam;

(b) if so, the details thereof;

(c) the main recommendations made in the report;

(d) the reaction of the Government thereto;

(e) Whether any suggestions have been made in the report to check recurrence of such scams in future; and

(f) if so, the details thereof ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.P. VEERENDRA KUMAR) : (a) to (f) The Inter Disciplinary Group (IDG) constituted to trace the end use of funds involved in the problem exposure of banks and Financial Institutions as identified by the Janakiraman Committee submitted its final report to the Reserve Bank of India (RBI). The report was laid on the Table of both the Houses of Parliament in December, 1996. The problem exposure of banks/financial instituions estimated by the Janakiraman Committee was Rs. 4024.45 crores. However, the IDG reassessed the exposure against notified persons at Rs.3,305.69 crores. The reduction was mainly on account of double counting, differences in valuation and subsequent out of Court settlement by certain banks. Auditors have been appointed by RBI to check instances of differences where the attached assets fell short of problem exposure. Under RBI's instructions, auditors have been looking into delivery of securities appearing in the asset ledger of some of the brokers for their transactions with banks/financial institutions. Auditors appointed by the Special Court are also writing up the accounts of two of the notified parties.

As the task of the IDG was to trace the end use of funds, no recommendation/suggestion has been made in the report to check recurrence of irregularities in securities transactions in future.

Supervision on Non-Banking Financial Companies

4467. SHRI NAMDEO DIWATHE : Will the Minister of FINANCE be pleased to state :

(a) whether the Government have received report of Khanna Panel on the need for comprehensive supervision on Non-Banking Financial Companies;

(b) if so, the details thereof;

(c) the reaction of Reserve Bank of India/other Government Agencies thereto;

(d) the details regarding present status of the proposal; and

(e) the steps taken/proposed by the Government to monitor effectively the operations/performance of Non-Banking Financial Companies ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.P. VEERENDRA KUMAR) : (a) Yes, Sir.

(b) The major recommendations of the Khanna Committee are divided into two parts, viz. (i) regulatory and (ii) supervisory aspects.

REGULATORY ASPECTS : The group had recommended enhancement in the then existing statutory powers of RBI (i) to provide for compulsory registration of both existing and new NBFCs with the banks, (ii) to prescribe minimum equity of Rs. 100 lakh for a new company, (iii) to stipulate creation of Reserve Fund by NBFCs and transfer regulatory jurisdiction of RBI, all NBFCs (registered with RBI and unregistered) should be supervised mainly through off site surveillance mechanism an amount of not less than 20 per cent of their net profits every year to the said fund, (iv) to enable the bank to initiate proceedings for liquidation of any NBFC whose financial position is found to be weak, (v) to prescribe the extent of investments to be made by NBFCs in approved securities, (vi) to enforce repayment of deposits by defaulting companies on the lines of Companies Act, 1956, etc.

SUPERVISORY ASPECTS : The committee made number of recommendations which inter-alia, includes (i) bringing all NBFCs regardless of their capital base under supervisory net of RBI, (ii) focus supervisory attention in a comprehensive and elaborate manner only on those NBFCs having net owned funds of Rs. 100 lakhs and above, (iii) for focussing supervisory attention of varying intensity, the Bank should soratify the reporting companies based

on their asset size, (iv), the bank should introduce an online corporation memory profile building process, based on observations generated from offsite surveillance system/ market intelligence/complaints/supervisory rating/ inspection findings etc. (v) introduction of supervisory rating system for NBFCs, based on CAMELS model (i.e. capital adequacy, asset quality, management earnings, liquidity and systems & control). (vi) periodicity for conducting on-site inspections should be modulated, based on supervisory rating assigned to NBFCs, and (vii) the bank may take necessary steps to utilise external audit as a tool of prudential supervision.

(c) and (d) Based on the recommendations of the Committee for conducting on site inspection of NBFCs, the RBI has issued guidelines to its regional offices to adopt the CAMELS approach for carrying out on site inspections of NBFCs by the inspecting officials as well as an off site surveillance system for exercising close supervision over top ten and problematic NBFCs.

(e) Further, with a view to conferring wider powers on the Reserve Bank of India for supervision of NBFCs and regulating acceptance of deposits by unincorporated bodies, Government have promulgated the RBI (Amendment) Ordinance 1997 (No.2 of 1997) on 9 January 1997.

[Translation]

THE MINISTER OF COMMUNICATIONS (SHRI BENI PRASAD VERMA) : Sir, I would like to inform the House that we have taken a decision that all the hon. Members will be the member of TAC of their respective areas.

12.0½ hrs.

PAPERS LAID ON THE TABLE

Indian Telegraph (First Amendment) Rules 1997

[Translation]

THE MINISTER OF COMMUNICATIONS (SHRI BENI PRASAD VARMA) : Mr Chairman, Sir, I beg to lay the following papers on the Table a copy of the Indian Telegraph (First Amendment) Rules, 1997 (Hindi and English versions) published in Notification No. G.S.R. 64(E) in Gazette of India dated the 7th February, 1997, under sub-section (5) of section 7 of the Indian Telegraph Act, 1885.

[Placed in Library. *See No.* LT-1742/97]

[English]

National Oilseeds and Vegetables Oils Development Board Service Regulations, 1996

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (SHRI S.R BALASUBRAMONIYAN) : On behalf of /Shn Chaturanan Mishra, I beg to lay on the Table :

(1) A copy of the National Oilseeds and Vegetable Oils Development Board Service Regulations, 1996 (Hindi an English versions) published in Notification No.2-65/NOVOD/96 in Gazette of India dated the 18th January, 1997 under section 20 of the National Oilseeds and Vegetable Oils Development Board Act, 1983, together with a corrigendum thereto dated the 28th February, 1997.

(2) A copy of the Brief Statement of the NOVOD Board Service Regulations, 1996 (Hindi and English versions).

[Placed in Library. *See No.* LT-1743/97]

Draft Notification No.10/6/97-IP

THE MINISTER OF STATE IN THE MINISTRY OF DEFENCE (SHRI N.V.N. SOMU) : On behalf of Shri Murasoli Maran, I beg to lay on the Table:

(1) A copy of the Draft Notification No. 10/6/97-IP (Hindi and English versions) specifying the requirement on the basis of which industrial undertaking shall be regarded as small scale or as an ancillary for the purpose of the Industries (Development and Regulation) Act, 1951, under sub-section (3) of section 11 B of the said Act.

[Placed in Library. *See No.* LT-1744/97]

(2) A copy of the Detailed Demands for Grants (Hindi and English versions) of the Ministry of Industry for the year 1997-98.

[Placed in Library. *See No.* LT-1745/97]

Notification under Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : I beg to lay on the Table :